GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

UNSTARRED QUESTION NO:5080
ANSWERED ON:29.04.2008
INVESTMENT BY PIOS IN AVIATION SECTOR
Barman Shri Ranen

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Government has received some representations for non-implementation of policy decision allowing Persons of Indian Origin (PIOs) and Non-Resident Indians (NRIs) to invest upto 100 percent in the domestic aviation sector; and

(b) if so, the steps being taken to issue directives to the concerned Ministries / Departments and State Governments clarifying the Government's stand on FDI by PIOs in aviation sector under FEMA?

Answer

THE MINISTER OF STATE IN THE MINISTRY OF COMMERCE & INDUSTRY(SHRI ASHWANI KUMAR)

(a): No, Sir.

(b): As per extant policy, Foreign Direct Investment (FDI) up to 49% is permitted in Scheduled Air Transport Service/ Domestic Scheduled Passenger Airlines. Investment by Non-Resident Indians (NRI) in this activity is permitted up to 100%. Section 2(w) of the Foreign Exchange Management Act refers to both NRI and Persons of Indian Origin (PIOs) as 'persons resident outside India'. Normally, the FDI policy extends similar dispensation to investment by NRI and PIO. However, in the Civil Aviation Sector, the policy has allowed a special dispensation only to NRI. Also, the Aircraft Rules 1937 stipulate that a Scheduled or Non-Scheduled air transport Operator's Permit can be granted only to a citizen of India or a company / body corporate, provided, inter-alia, that its substantial ownership and effective control is vested in Indian nationals.